**SUPPLEMENTAL***Memorandum*

TO: HONORABLE MAYOR
AND CITY COUNCIL
AND FINANCING AUTHORITY

FROM: John Stufflebean
Scott P. Johnson

SUBJECT: SEE BELOW

DATE: 06-18-09

Approved

Date

6-18-09

SUBJECT: CITY OF SAN JOSE ENERGY EFFICIENCY AND SOLAR OPPORTUNITIES

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

Subsequent to the submittal of the staff report on this agenda item, staff has received and evaluated additional information related to recommendations (c)(2), (b) and (d).

(c)(2) Department of Energy Industrial Energy Efficiency Grant

The Department of Energy (DOE) Industrial Energy Efficiency Grant guidelines obtained by staff show that these grants are related to research and demonstration projects for new technologies that obtain 25% reduction in energy usage and a 10% return on investment with a not to exceed project duration of 12 months. The projects presented in the staff report that were being contemplated for this grant opportunity do not meet the above guidelines as currently programmed in the Water Pollution Control Plant's capital program or operating plans. Revamping these projects to meet these guidelines would require significant investment of resources and also extend the project duration beyond the required 12 months. Further, revamping of these projects and completing the application packages by the deadline of July 14, 2009 is not currently feasible with the available resources. Staff also believes that the evaluation criteria set forth in the funding guidelines do not favor the proposed projects as defined and scoped. Therefore, staff is recommending that the City not pursue this funding opportunity further for the proposed projects at the Plant.

(b) and (d) New Clean Renewable Energy Bonds

As stated in the memo, the Recovery Act authorized the allocation of \$2.4 billion in New Clean Renewable Energy Bonds (New CREBs), which are tax credit bonds for financing renewable energy projects designed to provide low-interest financing for qualified issuers and promote the use of renewable energy in State, Local, and Tribal Government facilities.

Although the New CREBs would be a good option for low-interest financing, a source of revenue needs to be identified to pay back the bonds. The preliminary financial analysis done

06-18-09

Subject: Energy Efficiency and Solar Opportunities Supplemental

Page 2

for ten City facilities has not been favorable in terms of cost savings and payback periods. Staff is continuing to refine this analysis and is also evaluating City facilities with viable revenue sources for repayment of the bonds.

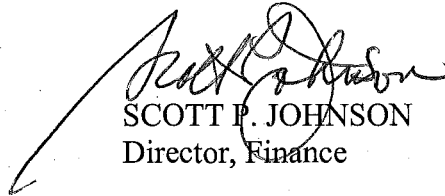
Although adoption of a resolution by the City Council and by Financing Authority authorizing the submission of the application for the New CREBs allocation by the City and the Financing Authority, respectively, is still recommended, it is important to note that completion of the additional analysis may lead staff to conclude that this financing opportunity should not be pursued.

RECOMMENDATION

Drop item (c)(2) under the recommendation section of item 2 of the June 23, 2009, Joint City of San Jose City Council/Financing Authority agenda.



JOHN STUFFLEBEAN
Director, Environmental Services



SCOTT P. JOHNSON
Director, Finance

For questions please contact Mary Tucker, Energy Program Manager, at (408) 975-2581.